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Message Text

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PAGE 01 CAIRO 02505 101650Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----------102118Z 126785 /72-62
R 101502Z FEB 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC PRIORITY 1601
INFO AMEMBASSY TEL AVIV

C O N F I D E N T I A L CAIRO 2505

EXDIS

E.O. 11652: GDS
TAGS: ENRG, PFOR, EG, US
SUBJECT: WESTINGHOUSE NEGOTIATIONS ON NUCLEAR POWER STATION FOR EGYPT

REF: 76 CAIRO 16147

1. WESTINGHOUSE NEGOTIATORS CALLED AT EMBASSY FEB 10
TO BRING US UP TO DATE ON CURRENT STATUS CONTRACT NEGOTIATIONS
FOR CONSTRUCTION OF EGYPT'S FIRST NUCLEAR POWER STATION. AS
WE HAVE PREVIOUSLY BEEN TOLD BY WESTINGHOUSE, NEITHER SIDE
HAS BEEN PARTICULARLY ANXIOUS TO ACCELERATE NEGOTIATIONS
SINCE STATUS OF COOPERATION AGREEMENT IS STILL UNCLEAR.
WESTINGHOUSE NEGOTIATORS BELIEVE THAT AGREEMENT COULD BE
COMPLETED IN A FEW DAYS WHENEVER COOPERATION AGREEMENT IS
APPROVED.

2. SOURCE OF FINANCING IS BECOMING MAJOR QUESTION ACCORDING
WESTINGHOUSE. GOE OFFICIALS, EVIDENTLY CONTINUE TO ASSUME
THAT FINANCING, WHETHER ALL OR IN PART, WILL BE AVAILABLE FROM
U.S. EGYPTIANS TALK ABOUT EITHER EX/IM OR AID FINANCING.
WESTINGHOUSE REPS NOTED THAT IN THEIR OPINION EX/IM FINANCING
WOULD BE IMPRACTICAL FOR EGYPTIAN PLANT; TERMS ARE TOO STIFF
AND AVAILABILITY OF TOTAL AMOUNT NEEDED TOO UNCERTAIN. IF
THIS IS ONLY FINANCING AVAILABLE, THEN, AS FAR AS WESTINGHOUSE
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IS CONCERNED, PLANT MIGHT NOT BE FEASIBLE. WESTINGHOUSE REPS
SAID THAT COMPANY CONSIDERING APPROACH TO CONGRESS REGARDING
CONCESSIONARY FINANCING FOR EGYPTIAN STATION.

3. DESCRIBING INFORMATION AS VERY CONFIDENTIAL, REPS ADVISED
THAT WESTINGHOUSE HAS COME TO PRELIMINARY AGREEMENT WITH ISRAEL
REGARDING PROVISION OF TWO NUCLEAR POWER STATIONS. COMPANY

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HAS EXTENDED VALIDITY ITS OFFER UNTIL SEPTEMBER, A DATE WHICH ISRAELIS SEEMED TO THINK WOULD ALLOW FOR RESOLUTION OF BOTH AGREEMENT APPROVAL AND FINANCING FOR THEIR REACTORS. ISRAELIS, ACCORDING WESTINGHOUSE, ARE PLANNING ON EX/IM FINANCING BEING AVAILABLE.

4. COMMENT: COMPANY APPEARS INCREASINGLY UNEASY AT FACT THAT EGYPTIANS, WITH CONTRACT NEGOTIATIONS ABOUT COMPLETE, HAVE NOT LINED UP FINANCING FOR THIS IMPORTANT PROJECT. EGYPTIAN DELAY, OF COURSE, REFLECTS ALMOST TOTAL LACK OF ALTERNATIVE TO SOME FORM OF USG/ARAB FINANCING. THERE SHOULD BE NO DOUBT IN ANYONE'S MIND THAT IF AND WHEN NUCLEAR COOPERATION AGREEMENTS ARE CONCLUDED, WE WILL BE FACED WITH PRESSURE FROM BOTH GOE AND WESTINGHOUSE TO PROVIDE REQUIRED FINANCING. BASED ON WESTINGHOUSE'S COMMENTS, SITUATION COULD WELL DEVELOP IN WHICH U.S. WOULD BE PUT IN POSITION APPEARING TO SABOTAGE PROJECT IF IT DID NOT PROVIDE NECESSARY FUNDS. MINISTRY OF ELECTRICITY OFFICIALS ARE EVIDENTLY PUSHING FOR THIS SUBJECT TO BE RAISED DURING SECRETARY VANCE'S UPCOMING VISIT, CAIRO 2384 PARA 6 ADDRESSED ITSELF TO THIS POSSIBILITY.
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Message Attributes

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